

CMS Audits/Deferrals/Disallowances Kansas Summary Report

April 16, 2007

Executive Summary: An agreement has been reached between the State of Kansas and the Centers for Medicare and Medicaid Services (CMS) that Kansas has resolved all outstanding administrative and payment issues identified by CMS and the Office of the Inspector General (OIG). The resolution of these issues, and agreement with CMS to release claims on additional liabilities, is contingent upon implementation of the agreed-to reforms on July 1, 2007 to bring the State into full compliance with all Federal regulations and State Plan provisions.

Background: Over the past two years, Kansas has experienced a large number of CMS financial management reviews (FMRs) and Office of the Inspector General (OIG) audits. The targets of these audits and reviews can be classified into three categories: local education agencies (LEAs), targeted case management (TCM) and mental health and child welfare. A thorough examination of the findings from these audits and FMRs revealed weaknesses in administrative and payment processes and lack of adherence to Federal regulations and State Plan provisions, many of the issues going back several years. Working closely with the CMS regional office, Kansas has made a concerted effort in each of these target areas to develop a comprehensive solution to resolve the underlying issues and bring the State into full compliance with all Federal regulations and State Plan provisions.

I. Local Education Agencies (LEAs):

Several OIG audits were released over the past two years identified payment methodology issues for local education agencies (LEAs). These issues included the accuracy of time studies and cost reports used to set the rates, school districts' reimbursement for 12 months of service rather than the 9 months that students are in school, and the lack of required physician referrals for therapy services.

Three corrective actions have been taken to address the findings of these audits of Local Education Agencies:

- The LEA provider manual was revised to clearly state that physician orders are required for physical, speech, occupational, and other therapies
- The previous contractor to revise administrative claiming processes was replaced with Public Consulting Group
- The "bundled rate methodology", which CMS no longer allows, was replaced with a fee for service payment methodology.

The fiscal impact of these corrective actions will result in a significant reduction in federal support to Kansas due to the change in payment methodology from a bundled rate to a fee for service payment.

II. Targeted Case Management (TCM)

The OIG and CMS identified several payment and administrative issues in Kansas targeted case management, going back several years. These issues focused on inaccurate targeted case management payment methods in a number of settings and lack of adherence to the approved State Plan, as well as federal regulations.

These corrective actions have been taken to resolve the issues identified with targeted case management:

- A uniform definition of targeted case management was adopted
- A uniform unit of service for targeted case management was adopted
- A payment methodology which incorporates CMS preliminary TCM guidelines was re-based.

- A TCM State Plan Amendment was submitted to establish policies and procedures to ensure TCM claims filed for federal reimbursement are: based on actual expenditures; utilize an approved rate methodology; and are based on medical necessity.

The impact of these corrective actions will result in a reduction of federal funding which will be replaced from the State General Fund for case management services, including those for the Juvenile Justice Authority (JJA), Community Development Disability Organization (CDDOs), and other service providers.

III. Mental Health/Child Welfare

The OIG and CMS identified a significant number of payment methodology issues for mental health and child welfare services. These issues included using non-allowable or incomplete encounter and reimbursement data, lack of a federal waiver to limit qualified providers, and contracts that were not consistent with State Plan in payment methodology.

The following corrective action steps have been taken to address the issues identified above:

- The use of previous contractor to administer Mental Health Center (MHC) Administrative Claiming was replaced; the program was placed on hold until payment issues were corrected; new procedures for claiming were developed and functions were transferred to internal management.
- Five sections of current state plan that pertain to Rehabilitation, EPSDT, Other Licensed Providers, Psychiatric Residential Treatment Facility (PRTFs), and Inpatient Hospital were amended. The HCBS Severely Emotionally Disturbed (SED) Waiver to comply with CMS requirements was updated to define eligible providers
- A selective services contracting waiver was obtained.

The fiscal impact of implementing these changes will result in a reduction of federal funding due to changes in the PRTF rate and screening affecting both SRS and JJA populations. Costs to the state will also be incurred in shifting from the current payment methodology to managed care contracts for mental health services and substance abuse services.

Summary. Over the past year, Kansas has given serious attention to all of the issues identified by CMS. The issues identified here have either been corrected to CMS' satisfaction or are in the process of being corrected, with full implementation by July 1, 2007. The state has also put in place more rigorous and vigilant oversight processes for the LEAs, TCM, and Mental Health/Child Welfare Medicaid programs to assure that Kansas continues to remain in full compliance with Federal regulations and our State Plan provisions. Over the past year the state has invested significant time and money to rectify all the issues brought to our attention by CMS.

With these changes, the CMS Regional Office and the CMS Central Office have agreed that Kansas has resolved all outstanding payment and administrative issues and, contingent upon successful implementation in July 2007, the State of Kansas is released from further liabilities on these issues.